



March 2005

## **Workers' Compensation Fraud Report**

**For the Quarter Ending December 31, 2004 (2<sup>nd</sup> Qtr. FY 2005)**

In spring 2004, the Legislature passed a supplemental budget that authorized the Department of Labor and Industries (L&I) to spend an additional \$798,000 to expand its efforts to combat fraud and abuse in the State Fund workers' compensation system. With the authorization came a requirement that in Fiscal Year 2005 the agency file quarterly reports to the Office of Financial Management and the Legislature, explaining how the money was spent and the return on that investment. This is the second of those reports, covering October, November and December of 2004. The 3rd and 4th quarter reports will be published in May and August.

With additional staff and the restructured Fraud Prevention and Compliance Program in place, Labor and Industries increased the return on investment from the 1st quarter. In the 2nd quarter of FY 2005, the program spent \$3,198,791 on salaries, benefits and other expenses. During that period, \$27,058,742 in delinquent employer premiums and improper payments to providers and workers was recovered. In addition, there was \$2,185,301 in cost avoidance. That equates to a 9.1 to 1 return on investment, compared with 7.7 to 1 in the 1st quarter. The return on investment is expected to be lower in the next two quarters as a new accounts-receivable collection computer system goes online and staff are trained in how to use it. The new system will improve collections long-term.

### **Highlighted activity**

- Audited eight brush-picking sheds in Region 4. Seven were found to be unregistered employers owing \$40,000 in workers' compensation insurance premiums. Collection activity has begun.
- Took possession of a bus owned by a casino in Ellensburg that owed \$4,300 in premiums. Sale of the bus covered the debt.
- The out of state collections unit discovered that a New York film company had opened a new account every time it made a movie in Washington. We identified 18 accounts with common ownership. Seven had delinquent balances totaling about \$28,000, which the department collected.
- Working with a federal task force, an L&I investigation resulted in the conviction in federal court of a Washington physician who was sentenced to a year in prison, lost her license to practice and was ordered to repay L&I \$10,229 for treatment not provided.
- Issued an administrative fraud order to collect \$88,747 from a claimant who was producing and selling marijuana while collecting time-loss for a workplace injury.
- Audited and recovered \$14,570 from a King County physician who over billed for services.

### **Outreach & Education**

The program continued to provide training to contractors on independent contractors and prime contractor liability for premiums. We also made presentations at a tax seminar for CPAs who provide accounting services for contractors, and to public works officials.

**Fraud cases prosecuted/charged/convicted:** (2<sup>nd</sup> Quarter FY 2005)

Number of cases referred to prosecution: .....4

Number of cases charged: .....0

Number of convictions:.....0

Number sentenced:..... 1 (in federal court)

**Fraud prevention by the numbers:**

(collections numbers listed below include fraud activity, recovery of overpayments and delinquent premiums)

**Worker:**

Administrative fraud orders issued: .....32

Assessments: .....\$683,449

Claims overpayment collections:.....\$1,927,291

Cost avoidance:.....\$2,185,301

**Provider:**

Assessments: .....\$322,130

Collections: .....\$86,324

**Employer:**

Assessments: .....\$4,915,965

Collections: .....\$25,045,127

**Return on Investment Schedule** (2<sup>nd</sup> Quarter FY 2005)

Operating Costs	Assessments	Cost avoidance	Recovery/collections	Return on Inv.
\$3,198,791	\$5,921,544	\$2,185,301	\$27,058,742	9.1 to 1

**Assessments:** Billings for overpayments, improper billings and for underreported premium payments.**Cost Avoidance:** Estimated one-year future outlay for improper or illegal provider billings or worker benefits stopped as a result of investigations.**Recovery/collections:** Money recovered as a result of L&I's collection activity.**Return on investment:** A comparison of the operating costs to the dollars recovered/collected/avoided during the fiscal year.